

Message Text

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21

ACTION AF-08

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 PA-01 PRS-01 /078 W

----- 006223

R 240938Z JUL 76

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 6029

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E.O. 11652: N/A

TAGS: PFOR, ECON, EINV, BENC, NI

SUBJECT: STATUS REPORT ON INDIGENIZATION

REF: (A) LAGOS 8447 (B) LAGOS 8160 (C) LAGOS 7846

1. WITH THE EXCEPTION OF THE CLOSING AND ANNOUNCED SALE OF 122 ENTERPRISES HELD IN VIOLATION OF 1972 INDIGENIZATION DECREE (REF A), NO FURTHER MAJOR PUBLIC EXPLANATION OR IMPLEMENTATION OF NEW INDIGENIZATION MEASURES HAS BEEN MADE BY FMG. HOWEVER, BOTH EXPATRIATE BUSINESSMEN AND FMG OFFICIALS CONTINUE TO FEEL THEIR WAY ALONG DEFINING THE RULES WITHIN THE BROAD POLICY OUTLINES ANNOUNCED IN THE FMG WHITE PAPER.

2. FMG MINISTRY OF ECONOMIC DEVELOPMENT OFFICIAL HAS ADMITTED TO EMBASSY THAT NEW INDIGENIZATION DECREE VOIDS ESSENTIAL ASSUMPTION OF FIVE YEAR PLAN THAT FOREIGN INVESTMENT WOULD INCREASE THROUGHOUT THE PLAN'S PERIOD. NUMBER OF NIGERIAN BUSINESSMEN ARE ALSO CONCERNED THAT NEW BANKING REQUIREMENTS WILL FORCE FOREIGN BANKS TO CHANGE NAMES WHICH WILL RESULT IN CUTBACK OF AVAILABLE WORLDWIDE LINES OF CREDIT.

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3. BOTH NIGERIAN AND EXPATRIATE COMMUNITIES FEEL BANKING

SECTOR NEGOTIATIONS CRITICAL TO SUCCESS OF INDIGENIZATION. AFTER RECEIVING BANKS' OWN EVALUATIONS OF ASSETS ON JULY 30, FMG HAS PROMISED TO SUBMIT COUNTER-PROPOSALS BY AUGUST 15. BANKS APPEAR TO BE HARDENING THEIR POSITIONS. CITIBANK HAS ALREADY REDUCED STAFF BY CANCELLING REPLACEMENTS FOR OFFICERS DEPARTING ON NORMAL TRANSFERS. FIRST NATIONAL CHICAGO CONFIDES THAT ITS EXECUTIVE MANPOWER IS TOO THIN TO WASTE HERE IF BANK LOSES MAJORITY CONTROL; IF HELD TO 60 PERCENT NIGERIAN MANAGEMENT, IT WILL TERMINATE OPERATIONS. IN WORDS OF ITS DIRECTOR: "BANKING WAS VERY LUCRATIVE HERE UNTIL DECREES OF LAST APRIL, BUT NO LONGER." BANK OF AMERICA HERE SINCE 1960, OPINES THAT NIGERIAN MOODS BLOW HOT AND COLD; BELIEVES THERE MIGHT BE SOME EVENTUAL EASING OF PRESSURE. NEVERTHELESS, BA WILL DEMAND 3 CONDITIONS IF IT STAYS HERE WITH 20 PERCENT OR HIGHER EQUITY: (1) CHANGE OF NAME FROM BANK OF AMERICA (2) GUARANTEED PERMISSION FOR BA CREDIT REVIEW AND AUDIT TEAMS TO MAKE ANNUAL EXAMINATION IN CONFORMANCE WITH USG BANKING REGULATIONS. BA MIGHT ALSO SEEK A MANAGEMENT CONTRACT. FMG HAS TOLD BIG 3 COMMERCIAL BANKS (BARCLAYS, STANDARD, UBA) THAT TERMS OF REFERENCE FOR 1972 INDIGENIZATION WILL BE USED IN UPCOMING NEGOTIATIONS.

4. AGGRESSIVE DEFENSE OF INDIGENIZATION POLICY GIVEN EMBOFFS JULY 20 BY OLUFEMI ANI, FORMER NIGERIAN EMBASSY ECON COUNSELOR IN WASHINGTON AND CURRENT DEP DIRECTOR, MEA ECONOMIC DEPT. ANI CHARGES THAT U.S. AND WESTERN PRESS DISTORTING ISSUE, THAT 70 PERCENT OF CONTROL OF COUNTRY'S PRODUCTIVE CAPACITY IN HANDS OF FOREIGNERS. HE EMPHASIZES THAT "NIGERIANIZATION NOT NATIONALIZATION" IS TAKING PLACE. ESSENTIAL POINT IS THAT PRIVATE SECTOR INSTEAD OF GOVERNMENT TAKING OVER NEW EQUITY. EXCEPTION IS TENTATIVE GOVERNMENT 60 PERCENT OWNERSHIP OF BANKS, BUT ANI THINKS EVEN THIS SHARE WILL EVENTUALLY TRANSFER TO PRIVATE HANDS. ALSO CATIGATES MERCHANT BANKS ("WITH WHOM GOVERNMENT IS VERY ANGRY") FOR FAILING TO PROVIDE FUNDS FOR NEEDY SECTORS AND DELIBERATELY NEGLECTING MEDIUM AND LONG-TERM DEVELOPMENT FINANCING FOR COMMERCIAL SHORT-TERM OPERATIONS WHICH ARE MORE PROFITABLE.

5. TO ADD ICING TO THE CAKE, THE FEDERAL BOARD OF INLAND REVENUE (SIMILAR TO OUR OWN IRS) ANNOUNCED ON JULY 22 THAT A LIMITED OFFICIAL USE

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NEW MASTER COMPUTERIZED SYSTEM WOULD SHORTLY BE INTRODUCED TO CHECK TAX EVASION. NEWSPAPER ACCOUNTS REPORTED THE SYSTEM DESIGNED TO DETECT IMPROPER ACTIVITIES OF FOREIGN COMPANIES. CROSBY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIVATE ENTERPRISE, ECONOMIC INTEGRATION, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LAGOS08516
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760286-0023
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760725/aaaaavhp.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 LAGOS 8447, 76 LAGOS 8160, 76 LAGOS 7846
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 27 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 JUL 2004 by KelleyW0>; APPROVED <18 OCT 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATUS REPORT ON INDIGENIZATION
TAGS: PFOR, ECON, EINV, BENC, NI
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006